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EXHIBIT 1
DATE 1-12-07
ES 2

To: Mr. Pete Conway, Director
Billings Area Indian Health Service

From: Joan Miles *Joan Miles*
Director

Date: November 15, 2006

Subject: Research on Medicaid savings for the department, the Tribes and I.H.S.

The analysis by Department staff in conjunction with I.H.S. and the Tribes has been completed. Listed below are several areas where either revenue can be increased for the Tribes and/or I.H.S. through missed billing opportunities or savings for the State can be obtained by utilizing the 100% I.H.S. rate. These programs could be implemented through the cooperation and assistance from the Tribes, I.H.S. and Department staff.

1. Reimburse personal care attendant services, private duty nursing and other Medicaid services through I.H.S. rather than with regular Medicaid. A contractual agreement between each Tribal entity and I.H.S. is required. Currently, Tribes are providing these services, which are reimbursed through the Medicaid State Plan at the 70%-30% match rate. By moving these services under the direction of I.H.S. the funds would be 100% federal funds. This change would not impact the current I.H.S. funding.
2. Ensure services such as eyeglasses and dental are being billed to the Children's Health Insurance Plan (CHIP). The full potential of billing for CHIP enrolled children has not been realized in some I.H.S. clinics. This would benefit CHIP enrolled children who are currently receiving services through I.H.S. and freeing up limited I.H.S. funds that could be used for other services. This change would require additional billing training and outreach on each reservation to increase awareness of the services available under CHIP.
3. Reimburse I.H.S. facilities through the Prescription Drug Card System (PDCS) for pharmacy services, appropriately shifting costs from the standard Medicaid match to 100% I.H.S. match rate. I.H.S. facilities are currently reimbursed a bundled rate for office visits and a different bundled rate for a prescription refill. Due to the bundled rate, the facilities are either reimbursed more or less than the

actual cost of the drugs, depending on the drug. The bundled rate is intended to fully reimburse the facility over the course of a year. In addition, some I.H.S. facilities do not offer higher cost drugs because of the reimbursement methodology and patients must go outside I.H.S. to get prescriptions filled. The drugs are then reimbursed at regular Medicaid match when prescriptions are filled by a community pharmacy.

If the I.H.S. filled the prescription and billed Medicaid through PDCS it would provide I.H.S. reimbursements for prescription drugs in exactly the same manner as other pharmacy providers. In addition, the PDCS system will provide the Tribes and I.H.S. continuity of care by applying proven cost containment mechanisms such as prior authorization, drug use review, quantity limits and step therapy. Also, the Department Pharmacy Case Management Program would be utilized to its full potential, helping improve patient's outcomes through effective drug therapy management.

By having I.H.S. adjudicate through PDCS the Medicaid pharmacy staff believes it would give the best service possible to the taxpayer, recipient and provider. Changes to I.H.S. reimbursement must be done through contract under Section 5 "Consideration and Payments", with potential amendments to the Administrative Rules of Montana and a required State Plan Amendment. The current contract (#05-11-01-001-0) expires June 30, 2007.

4. Encourage eligible Tribal members to enroll in Medicare Part A and Part B plans. Services unavailable at the I.H.S. and not covered outside of I.H.S. may be allowed and paid for under Medicare. Additionally, I.H.S. should see increased revenue if they bill Medicare for services rather than using existing I.H.S. funds. Some initial training of I.H.S. clinic staff may be necessary and require assisting Tribal members in enrolling in Medicare.
5. Encourage and assist Tribal members to enroll in Medicare Savings Programs such as Qualified Medicare Benefits (QMB), Special Low Income Medicare Benefits (SLMB) and Qualified Individuals (QI1). Increased revenue will result from billing Medicare rather than using I.H.S. funds. For QMB eligible clients, these programs will pay for the individuals' premiums, co-payments and deductibles. (Medicaid does not cover coinsurance and deductibles for SLMB and QI1 eligible clients.)
6. Encourage and assist the Tribes in billing crossover claims. By submitting claims to Medicaid for the remaining balance not paid by Medicare, I.H.S. will save funds. Some initial training of I.H.S. clinic staff may be necessary to bill Medicaid after initially billing Medicare.

7. Encourage and assist eligible individuals to sign up for Medicare Part D plans. By having individuals enroll in Part D, I.H.S. would be able to bill the Medicare Part D plans for prescription drugs currently covered through I.H.S. In addition, the state has a program called Big Sky Rx that can assist individuals with their monthly Part D premiums. Through Big Sky Rx, the program will pay their Part D premiums up to \$33.11 per month for Montana residents who are enrolled in a Part D plan and have income under 200% of the federal poverty level. Some training on enrolling individuals in Part D and Big Sky Rx may be necessary.

Department staff members will continue working closely with Indian Health Services staff and Tribal staff to work on these opportunities. For questions or additional information, please contact Janet Kracher, Tribal Coordinator at (406) 444-3709 or jakracher@mt.gov

